

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00
DOTE-00 EB-08 INR-07 NSAE-00 FAA-00 PM-04 H-01
L-03 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
OMB-01 TRSE-00 /069 W
-----222228Z 045197 /63

R 222103Z MAR 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC 930
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY THE HAGUE
AMEMBASSY MADRID
AMEMBASSY ROME
USMISSION EC BRUSSELS
AMCONSUL BORDEAUX
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E.O. 11652 N/A
TAGS: EAIR, EIND, FR, US
SUBJ: CIVAIR: MCDONNELL DOUGLAS AND THE ASMR
PROJECT

REF: PARIS 6216

1. SUMMARY. GENERAL MITTERAND OF AEROSPATIALE
ASKS THAT WE IMPRESS ON MCDONNELL DOUGLAS THAT
FRENCH EXPECT DEFINITE YES OR NO ANSWER BY END
OF THIS MONTH OF AMSR PROJECT. AEROSPATIALE
NOW WEEMS TO BE THINKING IN TERMS OF MUCH MORE
INNOVATIVE DESIGN FOR AMSR, WHICH MAY BE THROWBACK
TO EARLIER AEROSPATIALE PROPOSALS, AND MITTERAND
MAY ALSO BE SEEKING OUT-MANEUVER DASSAULT. WE
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THINK DEPT. AN/OR COMMERCE SHOULD CONVEY
MITTERAND'S CONCERN TO MCDONNELL DOUGLAS, AND
IF MORE TIME IS NEEDED SUGGEST MEETING BETWEEN
SANFORM DOUGLAS AND MITTERAND. END SUMMARY.

2. GEN. MITTERAND, PRESIDENT OF AEROSPATIALE, ASKED
TO SEE US END LAST WEEK TO DISCUSS SUBSONIC

AIRCRAFT COOPERATION. ALSO PRESENT WAS CHEVALIER, DIRECTOR GENERAL OF AEROSPATIALE. THRUST OF MITTERAND'S PRESENTATION WAS THAT MCDONNELL DOUGLAS HAD TO GIVE CATEGORICAL YES OR NO ANSWER BY END OF THIS MONTH ON WHETHER ITTWOULD JOIN FRENCH IN DEVELOPING THE ASMR (ADVANCED SHORT TO MEDIUM RANGE TRANSPORT). HE ASKED EMBASSY TO URGE USG TO IMPRESS ON MCDONNELL DOUGLAS THAT FRENCH MEANT BUSINESS AND COULD NOT WAIT ANY LONGER. FRENCH MEANT WHAT MCDONNELL DOUGLAS DEL HAD BEEN TOLD DURING THEIR MEETINGS IN PARIS LAST MONTH (REFTEL). WE REMINDED MITTERAND THAT USG, UNLIKE GOF, WAS NOT A PARTY TO ASMR TALKS AND OUR INDUSTRY, WHICH WAS WHOLLY IN PROVATE HANDS, WOULD HAVE TO MAKE ITS OWN DECISIONS. HOWEVER, EMBASSY WAS MINDFUL OF THE SIGNIFICANCE OF FRANCO-AMERICAN COOPERATION ON ASMR AND THE BROADER INTERESTS OF INDUSTRIAL COLLABORATION BETWEEN OUR TWO COUNTRIES, AND IT WAS IN THIS SPIRIT THAT WE WOULD RECOMMEND TO WASHINGTON THAT MITTERAND'S VIEWS BE CONVEYED PROMPTLY TO MCDONNELL DOUGLAS.

3. MITTERAND SIAD MCDONNELL DOUGLAS HAD TO CHOOSE BETWEEN DEVELOPING REFANNED VERSION OF DC-9 AND GOING AHEAD WITH ASMR PROJECT. A REFANNED DC-9 WOULD ARRIVE ON THE MARKET FIRST AND FIND SOME TAKERS, BUT HE WAS CONVINCED THAT MARKET WOULD BE MUCH LARGER OVER THE LONG TERM FOR ASMR LIMITED OFFICIAL USE

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SINCE CARRIERS WERE NOT GOING TO EMBARK ON MAJOR RENEWAL OF FLEETS UNTIL NEW GENERATION OF TECHNOLOGICALLY ADVANCED AIRCRAFT WAS AVAILABLE. MITTERAND SAID THAT BY AMSR HE WAS NO LONGER REFERRING TO THE "MERCURE 200" DERIVED FROM DASSAULT'S MERCURE 100; ASMR WOULD BE AN AIRCRAFT O FINNOVATIVE, IMAGINATIVE DESIGN AND AS A RESULT COST OF PROJECT WOULD BE MUCH HIGHER THAN HAD BEEN ENVISAGED FOR MERCURE 200. WHEN WE MENTIONED HAVING HEARD THAT CARRIER INTEREST IN ASMR HAD NOT BEEN ENCOURAGING, MITTERAND SAID THIS WAS UNDERSTANDABLE SINCE CARRIERS HAD BEEN CANVASSED ON BASIS "MERCURE 200" DESIGN REBAPTISED "ASMR" FOR THE OCCASION; HE PROPOSED CANVASSING CARRIERS ANEW ON BASIS AEROSPATIALE'S CONCEPTION OF WHAT THE ASMR SHOULD BE.

4. IF COOPERATION WITH MCDONNELL DOUGLAS FELL THROUGH, MITTERAND SAID HE WOULD RECOMMEND

STRENGTHENING AIRBUS INDUSTRIE AND
MAKING IT THE FOCAL POINT OF EUROPEAN EFFORTS
IN THE AIRFRAME SECTOR. AIRBUS DERIVATIVES
COULD BE DEVELOPED AND OTHER AIRCRAFT CONSIDERED.
PARTNERS IN A STRENGTHENED AIRBUS INDUSTRIE
CONSORTIUM MIGHT THEN GIVE THOUGHT ANEW TO
EXPLORING POSSIBILITIES FOR COOPERATION WITH
US INDUSTRY. WHEN WE ASKED WHERE BRITISH STOOD,
MITTERAND ADMITTED BRITISH HAD BEEN TALKING
WITH BOEING AT THE TECHNICAL LEVEL BUT HE
DOUBTED THAT BOEING AND THE BRITISH WOULD REACH
AGREEMENT ON FINANCING. HE DID NOT RULE OUT
POSSIBILITY OF AEROSPATIALE ITSELF RESUMING
TALKS WITH BOEING AT SOME STAGE IF TALKS WERE
BROKEN OFF WITH MCDONNELL DOUGLAS.

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L-03 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
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R 222103Z MAR 77
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5. MITTERAND ADMITTED THAT FRENCH HAD TRIED TO
PIN DOWN MCDONNELL DOUGLAS TO AGREE NOT DEVELOP
DCX-200 POSSIBLE COMPETITOR TO AIRBUS IF
MCDONNELL DOUGLAS PARTICIPATED IN ASMR PROJECT.
HOWEVER, FRENCH HAD BEEN UNSUCCESSFUL AND SO WERE

NO LONGER PRESSING THIS POINT. MITTERAND WAS
QUITE AWARE OF PROBLEMS ANY SUCH UNDERSTANDING
WOULD HAVE ENCOUNTERED BY VIRTUE OF US ANTI-TRUST
LEGISLATION.

6. ON THE DAY AFTER OUR MEETING WITH MITTERAND
LE MONDE REPORTED THAT VOKKER-VFW WAS STILL
ACTIVELY PRESSING GOF TO ACCEPT F-28 WITH LATER
DELIVERY OF A LONGER RANGE SUPER F-28 ASS REPLACE-
MENT OF R AIR FRANCE'S CARAVELLE FLEET.
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VOKKER-VFW WAS PROPOSING TO EQUIP F-28'S WITH
THE CFM-56 ENGINE PROVIDED LOWER THRUST VERSION
COULD BE PROVIDED. SNECMA OFFICIAL CONFIRMS TO
US THAT VOKKER-VFW BBADLY WANTS THE AIR FRANCE
CONTRACT AND HAS BEEN NEGOTIATING WITH SNECMA
FOR SOME TIME CONCERNING AVAILABILITY OF LOWER
THRUST VERSION OF CFM-56; VOKKER-VFW HAS EXPRESSED
PREFERENCE FOR CLIPPED FAN VERSION THAT WOULD
HAVE SMALLER OVER-ALL DIAMETER, WHEREAS SNECMA
LEANS IN FAVOR OF REDUCED PERFORMANCE VERSION
OF THE BASIC CFM-56 POWERPLANT.

COMMENT: SINCE VOKKER-VFW IS ALREADY A MAJOR
PARTNER IN AIRBUS INDUSTRIE, GIVING THE AIR
FRANCE CONTRACT TO VOKKER-VFW IN EXCHANGE FOR
GREATER DUTCH AND GERMAN COMMITMENT TO AIRBUS
INDUSTRIE WOULD SERVE MITTERAND'S GOAL OF
"STRENGTHENING" AIRBUS INDUSTRIE AND ITS ROLE
WITHIN THE EUROPEAN AIRCRAFT INDUSTRY. JUST
AS AIR FRANCE HAS RESISTED BUYING DC-9'S , SO
WOULD VOKKER-VFW'S F-28 COMPLICATE FOR
AIR FRANCE A FLEET MIX THAT IS ALREADY ONE OF
THE MOST HETEROGENOUS AMONG MAJOR CARRIERS.
WE DON'T KNOW HOW MUCH OF A CHANCE
BOEING WOULD HAVE TO GET GOF APPROVAL FOR SALE
TO AIR FRANCE OF THE 737'S AND 727'S THAT
AIR FRANCE WANTS, IF MCDONNELL DOUGLAS STAYS WITH
THE ASMR PROGRAM, BUT IT IS EVIDENT THAT
BOEING'S--AS WELL AS
MCDONNELL DOUGLAS'--CHANCES, AND HENCE THOSE OF
US EXPORTS, MAY HINGE ON THE OUTCOME OF THE ASMR
PROJECT.

7. WE DID NOT SUGGEST TO MITTERAND THAT HE
ADDRESS HIMSELF DIRECTLY TO MCDONNELL DOUGLAS
(THOUGH THEY HAVE NO OFFICE IN PARIS) SINCE WE
SUSPECT THAT MITTERAND IS ENGAGING IN A BIT OF
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IN-FIGHTING WITH DASSAULT. THE COSTLIER, "INNOVATIVE" ASMR DESIGN MITTERAND IS NOW TOUTING SOUNDS VERY MUCH LIKE THE EARLIER AEROSPATIALE DEISNG WHICH FOR REASONS OF COST AND LEAD TIME LST OUT TO THE MERCURE 200 WHEN THE GOF WAS CASTING AROUND FOR A NEW PROJECT TO OCCUPY FRENCH INDUSTRY. AEROSPATIALE MANAGMENT, AS WELL AS THE TRADE UNIONS, ARE STILL SMARTING OVER THE FACT THAT DASSAULT, WITH A SMALL PARTICIPATION, WOULD BE PROJECT MANAGER ON THE FRENCH SIDE FOR THE ASMR/MERCURE 200 PROJECT. DASSAULT'S IMAGE HAS ALSO BEEN TARNISHED BY RECENT SCANDAL, AND THREAT OF UNEMPLOYMENT WHICH HANGS OVER AEROSPATIALE MAKES IT IMPERATIVE THAT GOF FIND NEW BUSINESS FOR THE NATIONALIZED COMPANY; THESE DEVELOPMENTS MAY HAVE EMBOLDENED MITTERAND. PROBJEM OF COURSE IS WHETHER WHAT MITTERAND NOW ADVOCATES IS THE GOF POSITION OR JUST THAT OF AEROSPATIALE, AND WHETHER DECISION EXPECTED OF MCDONNELL DOUGLAS BY END OF THIS MONTH IS FOR THE MERCURE 200 ASMR OR THE MORE AMBITIOUS AEROSPATIALE CONCEPTION OF THE ASMR. THESE ARE QUESTIONS WHICH IT IS A BIT DELICATE FOR THE EMBASSY TO EXPLORE IN ANY MORE DETAIL.

8. WE DO THINK, HOWEVER, THAT DEPT. AND COMMERCE SHOULD PASS ON TO MCDONNELL DOUGLAS GEN. MITTERAND'S INSISTENCE THAT FRENCH EXPECT FIRM ANSWER ON FUTURE COOPERATION BY END OF THIS MONTH. (SNECMA SOURCE, INCIDENTALLY, ALSO TELLS US THAT HE DOUBTS WHETHER MCDONNELL DOUGLAS FULLY COMPREHENDS HOW SERIOUS FRENCH ARE ABOUT THIS DEADLINE.) SHOULD MCDONNELL DOUGLAS NOT BE PREPARED TO MAKE FINAL DECISION BY THAT TIME BUT STILL BE GENUINELY INTERESTED IN EXPLORING COOPERATION WITH THE FRENCH, ONE WAY OF PLAYING

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FOR TIME MIGHT BE FOR SANFORD MCDONNELL HIMSELF TO PROPOSE MEETING WITH MITTERAND. MITTERAND TOLD US HE HAD NEVER HAD PLEASURE OF MEETING WITH SANFORD MCDONNELL AND HE ADDED THAT HE DOES NOT EXCLUDESKROM DISCUSSION ANY POSSIBILITIES OF LONGER TERM COOPERATION COVERING OTHER SECTORS IN ADDITION TO ASMR. WE HAD IMPRESSION HE WOULD VERY MUCH WELCOME MEETING WITH SANFORD

MCDONNELL.

9. FAILURE OF ASMR PROJECT AFTER ALL THE
PUBLICITY IT HAS RECEIVED IN FRACNE WOULD BE
SORELY EMBARRASSING TO GOF, WHICH AFTER SETBACK
IT HAS JUST RECEIVED IN MUNICIPAL ELECTIONS HARDLY
NEEDS MORE BAD PRESS, AND IT COULD BE THAT UNDER
THESE CIRCUMSTANCES MCDONNELL DOUGLAS WOULD BE
NEGOTIATING FROM POSITION OF RELATIVELY GREATER
STRENGTH. WE DO NOT THINK THAT IN SO DOING USG
WOULD BE TAKING SIDES AS AMONG US CONSTRUCTORS,
SINCE AT THIS STAGE BY CHOICE OF THE FRENCH
THEMSELVES ONLY MCDONNELL DOUGLAS IS IN THE
RUNNING AS A PROSPECTIVE PARTNER FOR FRENCH
INDUSTRY. IF THIS COOPERATION FALLS THROUGH THEN
WE AS A GOVERNMENT, RATHER THAN MCDONNELL DOUGLAS,
MAY BE LEFT TO PICK UP THE PIECES AS "PERFIDIOUS
AMERICA" REPLACES "PERFIDIOUS ALBION" IN THE
FRENCH VOCABULARY. WE ALREADY HAVE ENOUGH PROBLEMS
IN FRANCE WITH THE CONCORDE ISSUE WITHOUT WISHING
FOR MORE.

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Message Attributes

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